

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SS-20 NSC-07 AID-20 CEA-02

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TREASURY DEPT WASHDC

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: NO SUCCESSOR BANK TO SINDONA'S BANCA PRIVATA
ITALIANA

REF: A. ROME A-582 DATED SEPTEMBER 16, 1974

B. ROME 12737 DATED SEPTEMBER 17, 1974

C. ROME 12983 DATED SEPTEMBER 20, 1974

1. /SUMMARY/. /IL SOLE-24 ORE/ ARTICLE SEPTEMBER 27 REPORTS
THAT NO SUCCESSOR BANK WILL BE CREATED TO REPLACE LIQUIDATED
BANCA PRIVATA ITALIANA. DEPOSITORS TO BE FULLY PROTECTED.
SMALL SHAREHOLDERS ARE PREPARING ACTION AGAINST BANK OF ITALY.
/END SUMMARY/.

2. WITH RESPECT TO LIQUIDATION OF SINDONA'S BANCA
PRIVATA ITALIANA (BPI) REPORTED REFTELS B AND C, FINANCIAL
DAILY /IL SOLE-24 ORE/ ON SEPTEMBER 27 REPORTED THAT FOLLOWING
LIQUIDATION OF BPI, SUCCESSOR BANK WILL NOT RPT NOT BE
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CREATED. BANK OF ITALY REPORTEDLY WILL ISSUE COMMUNIQUE

TO THIS EFFECT ON SEPTEMBER 27. /IL SOLE-24 ORE/ REPORTS THAT LIQUIDATOR OF BPI WILL BE NAMED IN NEAR FUTURE AND THAT ASSETS OF BPI WILL BE AUCTIONED IN ACCORDANCE WITH LIQUIDATION PROCEDURES PROVIDED FOR UNDER ITALIAN BANKING LAWS. ALL DEPOSITORS WILL BE PAID OFF WITH POSSIBLE EXCEPTION OF SINDONA AND CERTAIN ASSOCIATES 'UNNAMED), IN WHICH CASE INVESTIGATION IS TO BE MADE TO DETERMINE POSSIBLE COMPLICITY IN ANY ILLEGAL ACTIVITIES RELATED TO BPI AFFAIR.

3. AS FOR REIMBURSEMENT OF DEPOSITORS, THREE OF BANK CONSORTIUM MEMBERS (BANCO DI ROMA, BANCA COMMERCIALE ITALIANA AND CREDITO ITALIANO) REPORTEDLY HAVE PUT UP ABOUT 45 BILLION LIRE EACH TO ASSURE LIQUIDITY OF BPI IN TOTAL OF AMOUNT OF ABOUT 135 BILLION LIRE. BANKS REPORTEDLY HAVE MADE AVAILABLE SUMS MENTIONED ABOVE FREE OF INTEREST CHARGES, ALTHOUGH BANK OF ITALY WILL DRAW UP COMPENSATION SCHEME BASED ON GRANTING OF AUTHORITY BY BOI TO CONSORTIUM SMEMBERS TO INVEST PART OF THEIR OBLIGATORY RESERVES IN SECURITIES BEARING HIGHER HIELD THAN CURRENT 5.5 PERCENT. AS RESULT, COST OF BPI RESCUE OPERATION WILL BE BORNE DIRECTLY BY BANK OF ITALY AND NOT BY CONSORTIUM.

4. /IL SOLE-24 ORE/ REPORTS FURTHER THAT PAYMENTS TO BE MADE BY CONSORTIUM TO MEET LIQUIDATION NEEDS ARE SOMEWHERE IN AREA OF 400 BILLION LIRE (\$603 MILLION AT \$1.00 - 663 LIRE) OF WHICH ABOUT ONE-HALF OF TOTAL RELATES TO BPI OPERATIONAL LOSSES AND OTHER HALF TO PAYMENTS TO REIMBURSE DEPOSITORS. AS FOR SMALL SHAREHOLDERS IN BPI WHO HAVE LOST THEIR INVESTMENTS BY VIRTUE OF BANK LIQUIDATION, AN ACTION COMMITTEE OF STOCKHOLDERS HAS BEEN SET UP AND REPORTEDLY WILL TAKE "ALL STEPS NECESSARY" AGAINST BANK OF ITALY FOR HAVING AUTHORIZED FUSION OF SINDONA'S BANCA UNIONE AND BANCA PRIVATA FINANZIARIA INTO BANCA PRIVATA ITALIANA AND FOR HAVING AUTHORIZED INCREASE IN CAPITAL OF NEWLY-CREATED BPI. ACTION GROUP PROCEEDING ON BASIS THAT ABOVE AUTHORIZATIONS MADE BY BOI HAD EFFECT OF CREATING INVESTOR CONFIDENCE IN SINDONA AND IN BPI EVEN THOUGH BEGINNING AS EARLY AS IN 1971 BOI HAD EXPOSED TO ITALIAN JUDICIAL AUTHORITIES CERTAIN IRREGULARITIES WHICH HAD BEEN UNCOVERED IN BPI OPERATIONS.BEAUDRY

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